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U. S. DEPARTMENT OF AGRICULTURE

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1955

The DEMAND and PRICE SITUATION

DPS-10

AMS

Approved by the Outlook and Situation Board, October 18, 1955

SUMMARY

Economic activity is continuing to expand in the final months of this year. Preliminary estimates for the third quarter indicate the gross national product is at a record 392 billion dollars, about 9 percent above a year earlier. Rising activity has contributed to a gradual increase in prices of industrial products and nonagricultural raw materials in recent months.

Crop output in 1955 will total the second largest of record according to the October 1 Crop Report. Developments during September were favorable for most crops with a sizable increase indicated for cotton and moderate increases for hay, sorghum grain, rice, peanuts and tobacco. Some deterioration in prospects was reported for soybeans, flaxseed and potatoes. With record output of livestock products, combined production of farm products this year may total around 3-1/2 percent above the record output of 1954.

(Continued on page 3)

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1954 Year	1955 Sept..	1955 June	1955 July	1955 Aug.	1955 Sept.
Industrial production 1/							
Total	1947-49=100	125	124	139	139	140	141
All manufactures	do.	127	126	141	141	142	143
Durable goods	do.	137	137	155	155	158	160
Nondurable goods	do.	116	115	127	126	126	125
Minerals	do.	111	108	122	120	120	121
Total outlay for new construction 2/	Million dollars	37,577	3,199	3,506	3,491	3,466	3,497
Residential	do.	13,496	1,215	1,358	1,372	1,337	1,334
Total civilian employment 3/	Million	61.2	62.1	64.0	65.0	65.5	64.7
Nonagricultural	do.	54.7	54.6	56.3	57.3	58.0	56.9
Unemployment	do.	3.2	3.1	2.7	2.5	2.2	2.1
Income:							
Nonagricultural payments 2/4/#..	Bil. dol.	271.9	272.1	287.2	291.7	290.9	
Production-worker payrolls 5/#..	1947-49=100	137.7	138.0	152.1	151.0	154.8	159.4
Weekly earnings of production-workers in manufacturing 5/...	Dollars	71.86	71.86	76.11	76.36	76.33	77.90
Durable	do.	77.01	77.39	81.99	82.21	82.61	84.45
Nondurable	do.	64.58	65.24	67.83	67.89	67.83	68.57
Prices:							
Wholesale prices, all commodities 5/	1947-49=100	110	110	110	110	111	112
Commodities other than farm and food	do.	114	114	116	116	117	118
Farm	do.	96	94	92	90	88	89
Food, processed	do.	105	106	104	103	102	101
Prices received by farmers 6/#..	1910-14=100	249	246	243	237	233	235
Crops	do.	243	247	244	238	228	229
Livestock and products	do.	255	245	242	237	237	240
Prices paid, interest, taxes and wage rates 6/	1910-14=100	281	280	282	281	279	278
Items used in living	do.	274	273	274	274	273	271
Items used in production	do.	252	251	250	248	247	245
Parity ratio		89	88	86	84	84	85
Consumer price index 5/	1947-49=100	115	115	114	115	114	
Food	do.	113	112	111	112	111	
Government purchases of goods and services 2/7/#	Billion dollars	77.0		74.9			
Federal (less Government sales).	do.	49.2		45.2			
State and local	do.	27.8		29.7			

Annual data for the years 1929, 1932 and 1935-54 appear on page 41 of the April 1955 issue of The Demand and Price Situation.

1/ Federal Reserve Board.
2/ U. S. Department of Commerce.
3/ Bureau of the Census.
4/ Monthly totals seasonally adjusted at annual rates.
5/ U. S. Department of Labor, Bureau of Labor Statistics.
6/ U. S. Department of Agriculture, Agricultural Marketing Service.
7/ Quarterly totals seasonally adjusted at annual rates.
Revised series.

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Grower prices through September this year averaged about 4 percent below a year earlier and farmers' cash receipts were also down about 4 percent. Prices paid by farmers for commodities, interest, taxes and wage rates for the same period were unchanged and the parity ratio averaged 86 compared with 90 for January-September 1954.

Rising consumer incomes and increased use of credit are supporting buying at record rates. Higher incomes and expanding economic activity have contributed to increased business investment outlays for inventories and for new plant and equipment. Employment continued high and industrial output rose to a new record in September. Auto production dropped sharply but briefly in early October with shutdowns for model changeovers. Manufacturers' sales and new orders rose and order backlogs increased further. Steel production continues high and mill orders are booked through this year and into 1956. Construction activity is holding at record levels as the decline in residential building is largely offset by increases in commercial construction.

Commodity Highlights

Prices of fed steers and heifers seem unlikely to improve much in the near future and hog prices probably will decline a little more seasonally and will remain below last year. Both steer and hog slaughter in September were records for the month.

Prices received by farmers for milk and butterfat are running a little above a year earlier; with declining prices for feed and hogs, dairy product price ratios have become relatively more favorable than last year. Output of milk this fall and winter probably will continue above a year earlier.

Prices received by farmers for eggs apparently reached their high for the year in September; production has now begun to increase seasonally. Broiler prices fell sharply in September and early October. Broilers are now being marketed from the very high placements of 10-12 weeks ago.

Soybean prices increased about 8 percent from mid-September to mid-October, mainly in response to another downward revision in the estimated crop for 1955. The soybean crop was estimated at 375 million bushels on October 1, up 9 percent from the record 1954 crop.

It now appears that much of the adjustment in prices to the 1955 corn crop has already occurred and that there will be less than the usual seasonal decline from September to November. Feed grain prices this fall and winter are expected to continue lower than a year earlier.

Prices for the first sales of Florida oranges at shipping points and at terminal auctions averaged a little higher than a year earlier; prices for grapefruit were much higher. Prices for both fruits are expected to decline seasonally this fall.

Prices received by farmers for fresh vegetables in September were record high for the month, 33 percent above September a year ago. Current prospects point to a fall crop of vegetables 7 percent smaller than a year earlier. Supplies of potatoes this fall and winter are expected to be well above a year ago; prices for the next several months will probably be below those of a year earlier.

The supply of cotton is now estimated at a record high of 25 million bales, reflecting a million-bale-increase in the estimated size of the crop to 13.8 million running bales as of October 1.

Mill use of apparel wool during August was below a year earlier for the third consecutive month. Consumption of carpet wool was 13 percent above August a year ago.

Prices through mid-October for this year's very large flue-cured tobacco crop averaged 51.7 cents per pound compared with 52.3 cents in the comparable period last year. About 23 percent of total market deliveries have been placed under loan.

GENERAL BUSINESS CONDITIONS

The nation's economy entered the last quarter of 1955 with continued strength in nearly all sectors. Income payments continue to move upward though not as rapidly as earlier in the year. Businessmen are planning capital expenditures in the last quarter of the year at a

seasonally adjusted rate slightly above the record third quarter and they anticipate an all time peak in sales to consumers in the closing months of 1955. Retail sales in September were one percent above August after seasonal adjustment and 11 percent above a year earlier. Industrial output again rose slightly during September. The Federal Reserve Board's Index of Industrial Production reached a new high of 141 (1947-49=100). Automobile output has picked up after a brief downturn in September and early October, with a much smaller loss of production during model changeover than had generally been expected. Sales of new cars rose in August and again in September in contrast to the usual downturn during the period when models are being changed. Steel mills are operating in excess of 96 percent of capacity and they are booked for the rest of the year. Manufacturers' inventories, both durable and nondurable, continued to rise from July to August. Manufacturers' sales and new orders also rose more than seasonally and the backlog of unfilled orders increased further. Prices of metals and industrial raw materials have picked up significantly in recent weeks but consumer prices remain stable.

Consumer Income And Spending At Record

Consumer Income after taxes is running at an annual rate about 5 billion dollars above the second quarter average of 267 billion and nearly 7 percent above the third quarter of last year. Personal income payments in August were at an annual level of 305 billion dollars, down fractionally from July and 6 percent above August of last year. Expanding employment in recent months combined with rising wage rates account for the steady climb in consumer incomes. The average weekly pay of factory workers in September reached an all-time high of $77.90 and further gains are expected in coming months.

Consumer expenditures continue upward in response to rising incomes and expanded use of credit. Retail sales in September totaled 15.9 billion dollars, one percent above August after seasonal adjustment, about the same percentage increase as from July to August. Sales were up 11 percent from September a year ago. Department store sales in September held at the August level. The most rapid gains have been in the durable goods lines which increased 2 percent during August. But nondurable goods sales are inching up steadily, reflecting mixed trends for major groups. The food group, after declining slightly in July, advanced 3 percent in August. Eating and drinking places and drug store sales rose moderately while apparel and general merchandise sales fell slightly. Among the durable goods, sales of new cars continue to spark the advance. New car sales in August were substantially above July. This gain is in contrast to the usual decline that precedes the introduction of new models.

Consumer credit rose again in August by 740 million dollars to a total outstanding of 33.6 billion, equal to approximately 12 percent of the annual rate of consumer income after taxes. This is the highest level relative to income reached in the postwar period. As in past months, most of the increase (509 million dollars) represented instalment credit extended with the purchase of automobiles.

Investment Demand

Moderate Inventory Build-up Continues

Total business inventories increased moderately again in August. Apparently, the high rate of sales continues to prevent any significant rise in stocks. Manufacturers' inventories rose by less than one percent from July to August; retail inventories increased about 1 1/2 percent and wholesale stocks were virtually unchanged.

Although concern has been voiced about the ability of the present rate of inventory accumulation to continue, stock-sales ratios, particularly for durables, are still low compared with levels of the past few years. With economic activity rising, a further moderate rise in inventories is in prospect for coming months.

Construction Expenditures Maintained

The strong upward trend in volume of construction that began last February appears to have leveled off in the third quarter. Total construction expenditures were virtually unchanged from August to September after a very small increase from July to August. During the spring and early summer the gains in construction were rapid. The leveling off in total construction volume reflects declining residential building offset by a continued uptrend in industrial and commercial outlays and in public construction. Recent trends suggest that building activity will continue high in coming months.

Outlays for residential building showed a greater than seasonal decline in August and a further drop occurred in September. New housing starts, after trending downward since last winter, showed a significant rise during August. However, new starts declined again in September. Tighter restrictions on VA and FHA mortgage lending were announced at the end of July. Since there is normally several weeks lag between financing and beginning of construction, the September downturn apparently reflects a response to the less favorable credit terms.

Construction contracts for residential building awarded in 37 states declined in September and were 6 percent below a year ago. This was the first year-to-year decline in nearly two years and indicates that some further decline in housing construction will occur in coming months.

Commercial construction, which includes warehouses, office and loft buildings, and stores, restaurants, and garages, continues its strong upward movement. Expenditures in this category in September were 7 percent above August and 47 percent above a year earlier. Construction of industrial facilities are climbing at a less rapid rate but still show a marked upward trend as businessmen increase investment in plant and equipment. Public construction rose again in September by about 1 1/2 percent. Highway building, which has accounted for most of the rise in Government construction activity, was up more than 5 percent over the month. However, public outlays for most other types of construction, particularly housing, are still below last year.

Money Market Tighter; Interest Rates Rise

The demand for bank credit by business firms and consumers began to increase in late 1954 with the upturn in economic activity. The volume of commercial bank loans has expanded from 63 billion dollars in mid-1954 to 77 billion at the end of July this year with loans outstanding expanding at a record rate for the period during January-June this year. The increase was general for business, consumer, and real estate loans.

In order to meet this demand, banks have sold large amounts of Government securities, reduced their excess reserves and, to some extent, increased their borrowings from the Federal Reserve Banks. In order to discourage excessive borrowing, the Federal Reserve Banks raised the discount rate from 1 1/2 to 1 3/4 percent in April and early May this year. In early August the rate was raised to 2 percent at most Federal Reserve Banks and by early September the discount rate was again increased to a rate of 2 1/4 percent at all banks. The reserve positions of member banks have continued to tighten since late 1954 and early 1955. Borrowings of member banks from Federal Reserve Banks have risen from less than 100 million dollars at mid-1954 to over 700 million at the end of August this year. Accompanying these changes there has been a slight increase in interest rates on conventional mortgages this year and discounts on federally underwritten mortgages also have risen. Interest rates on loans for purchasing and for carrying securities have increased.

In mid-October there was an increase in the prime rate charged to business borrowers to 3 1/2 percent, the highest level since 1933. The tighter money market probably has slowed the rate of credit expansion over the past year even though business, real estate and consumer loans have continued to advance. Business loans in September showed a considerably more than seasonal rise and real estate and consumer loans rose further.

Most stringent curbs have been placed on bank loans for purchasing or carrying securities (other than U. S. Government securities). In order to restrain use of credit for trading on the stock market, the Federal Reserve Board raised margin requirements in January from 50 to 60 percent and in April to 70 percent. Following these changes, the growth in loans by banks and brokers for purchase and carrying of securities has slowed materially.

Industrial Output and Employment

Manufacturers' Sales and Orders Set Record

Manufacturers' new orders declined moderately in July but rose in August by 2 billion dollars to an annual rate of 29 billion dollars, the highest level on record. Most of the rise occurred in the durable goods industries with larger orders for metals, particularly steel, accounting for a considerable portion. Orders for machinery and transportation equipment to fulfill stepped up investment plans were also a significant part of the rise in orders. Orders for nondurable goods increased moderately.

Manufacturers' sales rose to a record 27 1/2 billion dollars in August; the increase more than made up a small dip in July. The sales gain was shared about evenly by durable and nondurable goods producers. Primary metals and chemicals were among the strongest items. Durable goods deliveries are now more than a fourth above a year ago. Since sales were exceeded by new orders during August the backlog of unfilled orders rose, continuing the fairly steady uptrend which began last fall. Unfilled orders are 10 percent above August of last year. Orders on the books of the nation's steel mills now extend into the first quarter of next year.

The Federal Reserve Board's index of industrial production rose one point during September to a record 141 (1947-49=100). This compares with a level of 124 in September last year. The increase over the month was in the durable goods sector and in minerals; nondurable goods output was unchanged. Production of durables was up slightly more than

one percent while minerals output was up fractionally. Consumer durables also rose slightly. The two categories which have accounted for most of the increases in consumer durables output this year, however,—autos and household goods--showed no increase in September. Other consumer durables advanced 2 percent over the month.

Indexes of industrial production, specified groups, January and September for 1953-55, adjusted for seasonal variation

Group	1953		1954		1955	
	Jan.	Sept.	Jan.	Sept.	Jan.	Sept.
Industrial production..	134	133	125	124	132	141
Durable goods.....	154	152	141	137	145	160
Primary metals.....	135	130	111	105	127	146
Nondurable goods.....	117	117	113	115	121	125
Major consumer durable goods.....	138	130	119	121	145	173
Autos.....	137	137	133	110	160	194
Major household goods	140	136	108	132	133	157

Employment Down Seasonally;
Unemployment Lower

The total number of employed persons declined somewhat in September from the all time peak in August of 65.5 million workers. However, a considerable part of this decline reflected the withdrawal of students from the labor market with the beginning of school. As a result the civilian labor force was reduced by more than the number employed so that unemployment declined by 100,000 to 2.1 million in September. Unemployment is at the lowest level since November 1953 and represents 3.2 percent of the civilian labor force compared with 3.3 percent in August.

The Agricultural Marketing Service reports farm employment up 13 percent from the end of August to the end of September, a less than seasonal gain. Both family labor and hired labor increased less than seasonally. Family labor rose 16 percent while hired employment was up 6 percent. Farm wage rates rose during the third quarter, after seasonal adjustment. The Department of Agriculture's Farm Wage Rate Index stood at 518 (1910-14=100) on October 1 compared with a level of 510 on July 1 and 502 on October 1 last year.

Commodity Prices

Wholesale prices of farm products firmed slightly from August to mid-September but by mid-October were below levels of a month earlier; meat prices contributed much of the decline in recent weeks. Commodities other than farm and food climbed at a more rapid pace in September than in recent months, according to preliminary estimates. A wider range of industrial commodities is now moving upward. Metals are leading the advance with gains in August and September. Metal prices are now more than a fifth above a year ago. The divergent trends between agricultural and nonagricultural prices continued to result in a fairly stable average level of prices. In the first week of October, the B.L.S. wholesale price index for all commodities was 1.6 percent above a year earlier.

Consumer prices this year have shown great stability through August. The Consumer Price Index declined 0.2 percent from July to August and was 0.4 percent below August 1954. A seasonal drop in food prices accounted for most of the small decline. The only declines other than in the food group were for house furnishings, down 0.4 percent and men's apparel, down 0.2 percent. The drop of nearly one percent in the Food Index was caused chiefly by a 15 percent decline in average prices of fresh fruit and an 11½ percent decline in prices of fresh vegetables. The Food Index in August was almost 2½ percent below last year.

Prices Received and Paid by Farmers

The Index of Prices Received by Farmers rose by one percent from mid-August to 235 (1910-14=100) in mid-September, 4 percent below last year. Higher prices received by farmers for eggs, milk, cotton, and commercial vegetables more than offset declines for corn, oilseeds, chickens, and meat animals. The rise in September was the first since last April. The Livestock and Products Index rose from 237 to 240 and the All Crops Index from 228 to 229.

Prices Paid by Farmers for Commodities, Interest, Taxes and Wage Rates (the Parity Index) declined for the third consecutive month by a fraction of a percent. Both Prices Paid for Family Living Items and for Production Items declined by about the same proportion. Prices of food and feed items were generally lower. Feeder and replacement livestock, however, increased 2 percent over the month. The divergent movements of the Prices Received and Parity Indexes resulted in a rise of one percent in the Parity Ratio to 85, about 3 percent below September of 1954.

Central Market Prices

Prices for food and feed grains on major central markets showed mixed changes from mid-September to mid-October. Corn, No. 3, Yellow at Chicago declined 4½ percent; oats, No. 2, White at Minneapolis were up 5 percent; barley, No. 3, at Minneapolis was also up 5 percent, and sorghum, No. 2 Yellow, at Kansas City was down 6 percent. Wheat, soybeans, and flaxseed showed fractional increases on central markets. Substantial declines were recorded for a number of livestock products. Mid-western eggs fell 18 percent over the month and broilers at Del-Mar-Va were down 11 percent. Barrows and gilts at Chicago declined 9 percent while slaughter steers (average of all grades) fell 3 percent.

FARM INCOME

Farmers' cash receipts from marketings in the first 3 quarters of 1955 are estimated at 19.7 billion dollars, 4 percent less than in the corresponding period last year. Although prices rose a little in September after declining in the previous 4 months, the average for the year to date remained 4 percent below last year. The total volume of marketings was about the same as a year ago. Receipts from livestock and products of 11.7 billion dollars were 5 percent lower than in 1954, largely because of a drop of 29 percent in average prices of hogs. Receipts from dairy products were about the same as last year, but poultry and eggs were slightly higher. Crop receipts of 8.0 billion dollars were down 3 percent from a year ago, as declines in wheat and cotton were only partly offset by increases for soybeans, tobacco, and vegetables.

Cash receipts from all farm marketings in September were around 3.0 billion dollars, down 5 percent from September 1954 but up 25 percent from August of this year. Receipts from livestock and products of 1.4 billion dollars were about the same as a year ago, but larger sales of cattle and higher prices of eggs raised them above the previous month. Crop receipts in September were about 1.6 billion dollars, down nearly 10 percent from a year ago but up 50 percent from August. Smaller receipts from wheat, cotton, soybeans, and potatoes, accounted for the decline in crop receipts from September a year ago, while seasonally larger marketings of cotton, soybeans, and tobacco were mainly responsible for the gains over August 1955.

LIVESTOCK AND MEAT

Cattle slaughter will likely recede from its seasonal mid-fall high but hog slaughter will continue seasonally upward to a top in November or December. Total output of meat in coming months will remain at record or near-record volume.

Seasonal price increases for fed cattle this fall have been prevented by large marketings of all cattle, both fed stock and breeding stock. Total cattle slaughter under Federal inspection in September was up 15 percent from July and 7 percent from the previous September. On October 1, the number of cattle on feed in 13 States was 19 percent above a year earlier. While part of the increase amounts to an earlier date of turning cattle off pasture into feedlots, the sizable supply of fed cattle for slaughter the next few months will limit any price advance. Prices of fed steers and heifers seem unlikely to improve to any great extent in the near future and will remain considerably below their highs of December-January last winter.

Prices of hogs also are under the influence of larger supplies. September hog slaughter was 50 percent above July and 8½ percent above September 1954. Some further seasonal price declines are likely, and prices will remain below last year.

Prices of feeder steers and calves had declined seasonally by mid-October. Feeder steer prices were slightly below a year earlier, but calf prices slightly above. Late summer damage to the corn crop in the western corn belt reduced demand for feeder cattle in that area.

Prices of lambs have held up well for the season, and have averaged a bit above the same time last year. Demand and prices for feeder lambs will be influenced by the condition of wheat pastures, which probably were improved enough by late-September rains to provide some late feed.

DAIRY PRODUCTS

Production of milk on farms declined less than seasonally from August to September. Output in September at 9.6 billion pounds was 3 percent greater than a year earlier. For January-September, output totaled 97.4 billion pounds, compared with 97.2 billions a year earlier. With abundant supplies of both roughages and concentrates and prices of milk improved relative to prices for feed and some other livestock products, output of milk this fall and winter probably will continue above a year earlier. For 1955 as a whole, output probably will exceed 124.0 billion pounds.

Use of milk in fluid whole form apparently is continuing larger than a year earlier. Use of fluid skimmed milk products also continues to show increases. Consumption of cream (including milk and cream mixture) is running slightly above a year earlier in selected fluid milk markets. This is notable because the consumption of cream has declined consistently since the end of the war.

Retail prices for fluid milk continue slightly above a year earlier. Retail prices for butter and cheese continue slightly above a year earlier but evaporated milk prices are a little lower.

Prices received by farmers for milk and butterfat have been running a little above a year earlier since April. Since prices for feed and hogs have been declining, prices for dairy products have become significantly more favorable.

In the first half of this marketing year, CCC purchases of butter and cheese (milk equivalent), were about one-third below those of a year earlier. This was accompanied by a sizable increase in private stocks of several dairy products and an increase in consumption of some dairy items. At present rate of disposition of dairy products from CCC inventories and probable rate of purchase the next several months, stocks of butter and powder may be largely disposed of in the next few months of seasonally low production but there probably will still be a substantial quantity of cheese on hand.

POULTRY AND EGGS

Prices received by farmers for eggs in October were down from the peak of 43.8 cents per dozen reached in September which probably was the high for the year. By the second week of October, wholesale prices at Chicago and New York were 8-10 cents below mid-September. Producers prices, however, were still above a year earlier. With poultry ration costs declining to their lowest level since spring 1950, the egg-feed ratio was 45 percent above last year, and 8 percent above the 5-year average for September.

Egg production is now increasing seasonally. However, the rise from last month's low will be more gradual than last year, thereby tempering the seasonal egg price decline. Although output is likely to be close to last year in the remaining months of 1955, the total for the year will exceed the 1954 production of 182 million cases.

After falling sharply in the middle 2 weeks of September, broiler prices in the first part of October were about 4 cents below the average of 25.5 cents per pound received by farmers in mid-September. Broilers marketed in late September and early this month were from chicks placed 10-12 weeks ago. At that time, weekly placements in 13 important broiler areas were running 14 percent above the year before. They were only slightly below the largest placements ever reported for those areas, which account for more than two-thirds of the U. S. annual broiler production.

At 30.9 cents per pound, turkey prices received by farmers in mid-September averaged 3.2 cents higher than a year ago. Prices in California for heavy turkeys, for which slaughter so far this season has been significantly below 1954, remained unchanged from mid-September to the first week in October. Marketings increased seasonally during the period. Prices received by farmers in the Shenandoah Valley for light-breed turkeys also remained unchanged over the corresponding three week period.

OILSEEDS, FATS AND OILS

Supplies of all food fats in the marketing year beginning October 1, 1955 will be about as large as the record quantity of the year before as a sharp increase in output will largely offset the reduction in beginning stocks. Stocks of vegetable oils and butter are much less than a year ago. Lard stocks are only moderately larger than last year's small quantity. More soybean oil and lard will be produced. Cottonseed oil and butter production are not likely to change much.

Supplies of food fats in 1955-56 will be well in excess of probable domestic use and, as in recent years, large quantities will be available for export. Exports in 1954-55 were at a record rate, reflecting lower prices, CCC sales for export on a bid basis, a high level of economic activity in Europe, reduced domestic production in Japan, Spain and Argentina and various U. S. Government programs including those which enable other countries to purchase our fats and oils with their own currency. Butter exports rose sharply because of an expansion in the Government's donations program. Present prospects are that other countries will continue to require large quantities of our fats and oils.

Soybean prices increased about 10 cents per bushel from mid-September to mid-October but are still about 40 cents below a year ago. The rise reflects a further downward revision in the production estimate for the 1955 crop on October 1. On that date, the crop was placed at 375 million bushels. This is 13 million less than the September estimate and 45 million bushels less than the August report. About 500 million pounds of oil and 1.1 million tons of meal can be obtained from 45 million bushels of soybeans. However, the 1955 crop still is 32 million bushels more than the record last year.

Although soybean production has expanded sharply since World War II, total use has been large enough to prevent a large build-up in carryover stocks. Present prospects are that the same situation will prevail in 1955-56.

Production of peanuts for picking and threshing was estimated on October 1 at 1,750 million pounds, 71 percent larger than last year's short crop but 9 percent below the 1944-53 average. Average yield per acre is estimated at a record 1,057 pounds. Prospective yields were down in the Virginia-Carolina area, but up in both the Southeast and Southwest.

Prices of edible oils and lard moved up over the past month, reflecting the cut in the soybean crop, reduced stocks of lard and good export prospects for food fats. Tallow and greases and coconut oil prices

also rose. Total disappearance of tallow and greases has been heavy and stocks on August 31, 1955 were the lowest for that date since 1946. Compared with a year ago prices of tung oil and tallow and greases are higher but prices of other fats and oils are lower.

The Commodity Credit Corporation has sold 19 million pounds of tung oil since November 1, 1954, the beginning of the marketing year for tung. Most of these sales were made at prices well above the support level and reflect not only the short 1954 crop but prospects for another small crop in 1955. As of mid-October CCC still owned 19 million pounds of oil. In October the Department of Agriculture announced that the support price for 1955 crop tung nuts will be not less than $50.70 per ton. The support level for the 1954 crop was $54.96 per ton.

CORN AND OTHER FEED

The average price received by farmers for corn declined 6 cents per bushel from mid-August to mid-September. It now appears that much of the adjustment in corn prices to the 1955 crop has already occurred and that there will be less than the usual seasonal decline from September to November. Corn prices dropped sharply in the South, where a big crop is being harvested this year. Sorghum grain prices dropped 10 cents per hundred pounds over the same period. Prices of each of the 4 feed grains continue lower than a year earlier, with the mid-September index of prices received by farmers for feed grains down 19 percent. Feed grain prices are expected to continue lower than a year earlier this fall and winter, but they may not drop much from the September level. Soybean meal prices declined in the first half of October but are still above August levels. The index of wholesale prices of high-protein feeds in September averaged 13 percent lower than a year earlier.

The national average support level for 1955 corn has been announced at $1.58 per bushel, 87 percent of parity. This rate applies to farmers in the commercial area who planted within their 1955 acreage allotments. The rate in the noncommercial counties is 75 percent of the 87 percent support rate. The mid-September average price received by farmers of $1.24 per bushel was 34 cents below the national average support level. Average prices of the other feed grains in mid-September were also below the 1955 price supports as follows: oats, 5 cents per bushel; barley, 4 cents per bushel; and sorghum grains, 11 cents per 100 pounds. While substantial quantities of these 3 grains had been placed under price support through mid-September, the movement under support was well below the heavy volume in the same period of 1954.

The total supply of feed grains and other concentrates for 1955-56 is now estimated at 195 million tons, which would be about 9 percent larger than last year and 13 percent above the 1949-53 average. This tonnage would be larger than in any previous year, both in total and per animal unit. Such a supply appears sufficient to take care of all 1955-56 requirements and still leave a carryover into 1956-57 a little above the record carryover this year. The production of feed grains in 1955 was estimated in October at 129.2 million tons, practically the same as on September 1, but 6 percent larger than in 1954. The corn crop was estimated on October 1 at 3,118 million bushels, 153 million more than in 1954, but slightly below the 1949-53 average. A crop of this size, together with the big October 1 carryover, would give a record supply of over 4.1 billion bushels, about 7 percent larger than the supply of last year.

WHEAT

Cash wheat prices are little different from what they were in mid-September, following the advance from the August lows. On October 17 prices at St. Louis and Kansas City were about 11 cents above the low levels reached in late August. Prices of No. 1 Dark Northern Spring, ordinary protein, at Minneapolis, were about 16 cents above the low reached the middle of August. The national average price received by farmers was $1.92 in mid-September compared with $1.90 in mid-August, probably the low until next spring. The mid-September average was 15 cents below a year earlier. The 1955 national loan rate of $2.08 is 16 cents below that for 1954.

On October 17 the price of No. 1 Dark Northern Spring Wheat at Minneapolis, ordinary protein, at $2.39, was 6 cents above the effective loan ($2.41 less storage allowance of 8 cents), and at Portland, No. 1 Soft White, at $2.14, was 6 cents below the effective loan. However, the price of No. 2 Hard Winter Wheat, ordinary protein, at Kansas City, at $2.15, was 14 cents below the effective loan, and No. 2 Soft Red Winter at St. Louis, at $2.00, was 29 cents below. The more favorable spring wheat prices relative to the loan reflects a reduction in carryover from a year ago. The carryover of hard red winter wheat was substantially above the very large carryover in 1954.

The extent of the seasonal rise in wheat prices depends upon the quality of wheat which will be placed under the support programs. Through September 15, farmers had placed 124 million bushels of 1955-crop wheat under support, compared with 233 million in the same period a year earlier. Smaller quantities this year reflect the favorable early season price relationship to the loan. This resulted from the limited quantities of old wheat available outside of government inventories, the late harvest of winter wheat this year, and the reduced 1955 crop.

Flour buying was very heavy for winter wheat in mid-July and for spring wheat after mid-August. These purchases have greatly reduced this demand for the next few months. Exports of wheat and flour, July 1 to October 1 this year, estimated partly on inspections for export, totaled about 70 million bushels compared with 54 million bushels for the same period a year ago.

FRUIT

The 1955-56 crop of early and mid-season oranges is expected to be nearly as large as the 1954-55 crop, assuming continued favorable weather. But the grapefruit crop is expected to be larger, mainly because of increased production in Florida. Fresh market shipments of Florida grapefruit started in mid-September, a little later than in 1954, and mounted rapidly in October. The later start this year and lighter early-season shipments are partly the result of more stringent maturity regulations. Movements of Florida oranges to fresh markets started in the second half of September, about a week later than a year ago, and is expected to reach heavy volume by late October.

Prices for the first sales of Florida oranges at shipping points and terminal auctions averaged a little higher than a year earlier. Similar prices for grapefruit were much higher. Prices for these two fruits can be expected to decline seasonally this fall with increasing shipments. With consumer incomes higher than a year ago, production of oranges about as large, and carryover stocks of frozen and canned orange juice smaller, prices for oranges in late fall should average somewhat above a year earlier.

Total production of deciduous fruits this year is about 4 percent larger than last year. Supplies of fresh apples, pears, grapes, and cranberries are expected to be heavier this fall than last. Shipping point prices for most varieties of apples, pears, and grapes, and wholesale prices for cranberries declined somewhat during September, partly because of heavy harvest-time supplies. In early October, prices for these fruits tended to average under a year earlier. With continued strong demand, prices for most fruits are expected to hold up well this fall. Prices for apples for processing in northeastern areas have averaged considerably lower this season than last.

With increased output of raisins, the 1955 pack of dried fruits is expected to be considerably larger than the 1954 pack. Larger 1955 packs of canned fruits and frozen fruits and berries (excluding juices) also seem probable. Cold-storage stocks of frozen deciduous fruits and

berries (excluding juices) on October 1, 1955 were about 17 percent larger than a year earlier. But stocks of frozen orange juice, mostly concentrate, were about 6 percent smaller, and stocks of canned citrus juices held by Florida packers were about 66 percent smaller. With carryover stocks of these juices lighter than a year ago, demand for oranges and grapefruit for processing should be stronger this fall and winter than a year earlier.

COMMERCIAL VEGETABLES

For Fresh Market

The index of prices received by farmers for fresh vegetables in mid-September was the highest on record for the month, averaging 9 percent above that of mid-August and 33 percent more than in mid-September 1954. The price level in September reflects smaller supplies and stronger consumer demand than a year earlier. Prices probably will continue at a higher level than a year earlier because of smaller supplies this fall. However, the difference between prices this fall and last may not be as wide as they were in September.

Prospects as of October 1 point to a fall crop of vegetables 7 percent smaller than a year earlier and 6 percent below the 1949-53 average. Increases over last fall are indicated for snap beans, broccoli, cauliflower, spinach, and early-fall tomatoes. However, these gains will be much more than offset by declines in prospect for lima beans, Brussels sprouts, early-fall cabbage, carrots, celery, sweet corn, eggplant, green peas, and green peppers. The lettuce and cucumber crops are expected to be about as large as last fall.

For Processing

During September improvement in the production prospects reported for the processing crops of lima beans, sweet corn, green peas and tomatoes slightly more than offset reductions for beets, kraut cabbage on contracted acreage, and pimientos. As of October 1 output indications for 9 processing vegetables--these usually account for over 90 percent of the total tonnage of the 11 items for which production is officially reported--amounted to 5.6 million tons, more than 3 percent larger than in 1954 and almost 3 percent above the 1944-53 average. This points to a larger pack of commercially processed vegetables this year than last. It now appears likely that retail prices for all processed vegetables in the 1955-56 marketing year will average close to those of a year earlier.

POTATOES AND SWEETPOTATOES

Supplies of potatoes during the fall and winter months are expected to be well above those of a year earlier. October 1 indications pointed to a 7 percent larger crop from the 29 late States this year than in 1954 despite reduction in the crop prospects during September in Maine, Colorado, and some of the Midwestern producing areas due to freezes. On September 15 prices received by growers for potatoes averaged $.71 per bushel, compared with $1.17 last year and the 1944-53 average of $1.34.

The potato diversion program of the Department became operative on September 15. Under this program growers will receive supplementary payments for 1955-crop potatoes diverted to starch, flour or feed. By October, the following areas had been approved for inclusion under the diversion-payment program: (1) all of Maine, Colorado, Oregon, and Washington, and (2) some sections in California and Idaho. Through October 8, of a total of 671,523 bags (100 pounds) of potatoes sold for starch, 602,870 bags were eligible for diversion payment. Diversions to feed use under this program were relatively minor.

Operation of the diversion payment program will tend to bolster prices received for 1955-crop late potatoes by growers. However, with supplies larger this year than last and consumption expected to be about the same, potato prices during the next several months are expected to continue below those of a year earlier. The pattern of marketing of late-crop potatoes this fall will have some influence on prices next winter and early spring.

Despite deterioration in sweetpotato production prospects during September due to excessive rainfall in North Carolina and South Carolina, total output in 1955 is expected to be almost one-fifth larger than last year's short crop and the largest since 1950. With consumption this fall and winter expected to be about the same as a year earlier, prices for the larger crop are expected to average much lower than those received for the relatively small 1954 crop. However, prices probably will follow the usual seasonal rise from late fall into the spring season.

COTTON

The estimated 1955-56 supply of cotton in the United States is now estimated at a record of about 25 million bales, a little above the previous high of 24.6 million bales in the 1939-40 season. The 1955-56 supply includes a starting carryover of 11.1 million bales, estimated imports of about 150 thousand bales and a crop of 13.8 million running bales (13.9 million bales of 500 pounds each).

The 1955 crop is currently estimated to be about 2 percent larger than the 1954 crop despite the fact that acreage in cultivation on July 1, 1955 was about 14 percent smaller than that of 1954. A record yield of 405 pounds per harvested acre is indicated for the 1955 crop. This compares with the previous record 341 pounds for the 1954 crop.

The average price for Middling 15/16 inch cotton in the 14 spot markets has been well below the support rate for this quality at these markets for the past few weeks. For example, on October 17 the market price was 33.07 cents per pound, compared with an average loan rate of 33.75 cents per pound and an average price approximately a year earlier of 34.21 cents.

Stocks of cotton held by the Commodity Credit Corporation (owned and held as collateral against outstanding loans) amounted to about 8.6 million bales on October 7. Of this total about 0.5 million bales were held as collateral against outstanding loans on the 1955 crop. A year earlier CCC held stocks amounted to about 7.2 million bales.

Consumption of cotton by domestic mills was larger than last year during the first two months of the 1955-56 season. The average daily rate during August and September was 35.4 thousand bales per day, compared with 33.3 thousand a year earlier. Exports of cotton, on the other hand, have been well below a year earlier so far this season. During August the United States exported 60.4 thousand bales compared with 189.6 thousand in the same month a year earlier.

On October 14, the Secretary of Agriculture announced the national acreage allotments for the 1956 cotton crops. For upland cotton the allotment is 17.4 million acres and for extra-long staple it is 45 thousand acres. These compare with 1955 allotments of 18.1 million and 46 thousand acres, respectively.

WOOL

Prices of wool at the Australian auctions early in October were about the same as a month earlier. Boston quotations for some descriptions were a little lower than month earlier. In general, prices of fine wools were from 15 to 20 percent below a year earlier while coarser wools were down a little less. The average of prices received by domestic producers for shorn wool at mid-September was 40.3 cents per pound, grease basis, compared with 52.9 cents a year earlier.

The rate of mill use of apparel wool during August was about 2 percent below a year earlier. This was the third month in succession during which it was below a year earlier. The January-August total, however, was about 4 percent above that of the same months of last year. About 7 percent less wool was used on the worsted system but consumption on the woolen system was up about 17 percent. The proportion of the total accounted for by the worsted system was the smallest of record back to 1918. The continued decline of activity on the worsted system is largely a reflection of a long-term shift in demand from worsted to woolen fabrics for some items. January-August consumption of carpet wool was about 11 percent above a year earlier. The rate during August was about 13 percent above a year earlier.

The clean content of imports of dutiable wools for consumption during January-July was about 10 percent above a year earlier. Imports of duty-free wools during the same months were about 29 percent larger than for January-July 1954.

TOBACCO

By mid-October, this year's record flue-cured crop was approximately three-fourth marketed. Through that date, prices averaged 51.7 cents per pound compared with 52.3 cents in the same period of last season. About 23 percent of total market deliveries were placed under Government loan. The 1955 support level for flue-cured is 48.3 cents per pound.

Marketings of most other types begin late this fall or during the winter. The 1955 support level for burley is 46.2 cents per pound; for fire-cured, 34.6 cents; and for dark air-cured and sun-cured, 30.8 cents--in each instance, slightly lower than the 1954 levels. The 1955 supports for the several cigar types that are eligible also are close to last season's.

Total supplies (this year's production plus carryovers) of flue-cured, burley, fire-cured, and dark air-cured are large in relation to probable disappearances during the 1955-56 marketing year. The crop of Maryland tobacco is smaller than a year ago as the result of storm losses but, with the record carryover, the supply is only a little below last year. The 1955-56 supplies of continental cigar filler and binder are both a little lower than for 1954-55. Storm and flood damage and losses significantly affected this year's tobacco crops in the Connecticut Valley.

Cigarette output in calendar 1955 may total 415 billion--3 percent above the 1954 level. Output of smoking tobacco for pipes and also snuff probably will be up a little. Cigar consumption for 1955 is expected to exceed 6.1 billion--nearly 2 percent above 1954 but chewing tobacco consumption continues to decline.

The 1955 exports of unmanufactured tobacco are expected to total near 510 million pounds (declared weight)--about 12 percent more than in 1954 and the third largest since 1946. The increase over 1954 is principally attributable to sales under P.L. 480, which provides for acceptance of foreign currencies for surplus agricultural commodities under certain conditions. During the first two-thirds of 1955 compared with the corresponding 1954 period, exports of flue-cured rose 29 percent and there were also increases in exports of dark air-cured leaf, Black Fat, and cigar wrapper. Exports of burley and Virginia fire-cured were smaller than in the comparable period of a year earlier, but exports of Kentucky-Tennessee fire-cured tobacco were slightly above a year earlier.

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